

LISTING OF ADJUSTER LEGISLATION

Passed in 2010:

Kentucky (HB 233) – Department Bill
Louisiana (SB 662)

Passed in 2011:

Alabama (HB 306) – Department Bill
Arizona (SB 1400)
Indiana (HB 1486) - Department Bill
Minnesota (SF 1125)
Nevada (SB 152)
North Carolina (HB 298) – Department Bill
Oklahoma (SB 778) – Department Bill
Oregon (HB 3619)
Texas (HB 2699)

Passed in 2012:

Maine (LD 1773)
Utah (HB 61)
Washington (SB 6242)
Florida
Georgia
Idaho
Mississippi
Delaware
South Carolina
Hawaii

TESTIMONY ON BEHALF OF ASURION LLC
SB 264 - PORTABLE ELECTRONICS INSURANCE

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Model Portable Electronics Insurance Act [MPEIA]; sections 1-8 of SB 264. The MPEIA is an initiative of Asurion to create a uniform regulatory scheme for an insurance product tailored to the nature of the portable electronic device. The covered property is a single portable electronics device, and coverage results in the delivery of a replacement device by mail. There is little or no calculation as to the value of the device or extent of loss. To the extent there is such a calculation, it is performed by an automated claims adjudication system. The coverage is typically sold with the purchase of the device and historically has been offered through an enroller's exception in state laws.

The MPEIA is currently enacted in 42 states. *See* list of states attached. At least 5 states have enacted it as part of an Insurance Department bill. There has been no real outside opposition as evidenced by the fact that it has been enacted in 42 states in a span of two years. Asurion hopes to achieve enactment in all 50 in 2013.

Proposed adjuster exemption; sections 10 and 11 of SB 264. The proposed adjuster exemption and CSR requirements recognize that the transaction of insurance and the claims handling will be performed by individuals who are not regularly engaged in the business of the sale of insurance or adjusting insurance claims, but rather are clerical personnel with specific training to efficiently handle the narrow category of claims related to lost or damaged portable devices.

Specifically with respect to the adjuster exemption:

- Numerous states maintain statutory or rule guidance that exempts from licensure certain responsibilities relating to the processing of claims covered by an insurance policy, such as collecting information necessary to process a claim and preparing a file for adjudication by a licensed adjuster. Although the definition of "independent adjuster" typically includes "investigating" claims, and basic information gathering to build a file could fall within the meaning of "investigate," certain states have created a clerical exception for basic information gathering.
- Asurion has historically relied upon exemptions in the adjuster licensing laws, namely the clerical exceptions, to avoid licensing every employee taking calls in every call center. Asurion aims to bring certainty to its business practices in this regard by creating a narrowly tailored exemption to apply to Asurion and other members of the industry that more closely fits industry best practices than the clerical exemption.
- Currently, Asurion processes portable electronics insurance claims in two ways. First, CSRs who are located within one of Asurion's call centers take information about the claim and input data into an automated claims adjudication system. Claims may also be

processed by CSRs who work from home, but are still employed by a licensed Asurion affiliate. A structure of supervisory personnel is relied upon in both instances, where licensed supervisors oversee the CSRs and handle escalated calls. Supervisors are licensed producers, who in some states may adjust claims without obtaining an adjuster's license or individuals holding adjuster licenses.

- In the substantial majority of cases, a CSR takes information about the claim and inputs data into an automated claims adjudication system where upon the approval of a claim, an identical model portable electronics device is mailed to the customer. In those instances where an identical model is not available, the automated claims adjudication system provides a select list of replacement devices of like kind or quality.
- In contrast to other types of insurance claims that require a complex system and the application of individual analysis and judgment in determining a claim's outcome, the claims at issue are much more simplified. An approved claim results in the mail delivery of a replacement device for the covered device. There is little or no calculation as to the value of the device or extent of loss, and any such calculation is performed by an automated claims adjudication system. The automated claims adjudication system includes a "replacement matrix" to follow when determining the appropriate replacement device and is designed to walk the CSR and customer through the claims process and provide the final claim outcome. In some cases a customer can simply complete the claim steps themselves through an on-line portal to the claims system. As a matter of practice, however, for those many customers who prefer to call and obtain live assistance or whose claim may require some minimal level of human interaction an online system could not deliver (e.g. input of a narrative explaining the cause of loss), a live CSR is provided. The vast majority of claim denials are elevated to licensees.
- Only 33 states license adjusters in such a way that the adjuster exemption discussed above is necessary. The exemption has passed in 22 of them, a 2012 bill in Michigan remains pending, and Asurion hopes to achieve enactment in the remaining 10 in 2013.

Adjuster/Producer Licensure; Section 9 SB 264

- Asurion aims to require CSRs to be supervised by licensed adjusters or licensed producers to maintain its current business practice of placing both, rather than adjusters only, in supervisory roles. Including licensed producers is important because: (A) requiring dual licensure of all producers as licensed adjusters would be expensive, disruptive, and complicated within current business frameworks; and (B) producer licensing has greater uniformity and reciprocity nationally and is therefore easier to manage than adjuster licensing. A 25:1 ratio is proposed so that no more than 25 nonlicensed CSRs are under the supervision of a licensee.
- The licensing exemption and 25:1 ratio contemplates work at home CSRs who are supervised in a similar fashion to call center CSR's, but who work "virtually" rather than in an office environment.

- The proposed licensing exemption for CSRs is limited in scope to Asurion's current model of inserting claims related information into a defined "automated claims adjudication system" and requires the system to be certified as compliant with the legislation by a licensed independent adjuster that is also an officer of the licensed business entity.
- The legislation also contains a screening mechanism for management and individual majority owners of adjusting firms designed to assure a reputable industry and level playing field. An applicant and its upstream owners' executive officers and directors must submit specific background information including names, addresses, social security numbers, criminal and administrative history, and biographical statements.

STATUS OF PREVIOUS LIMITED LINES LEGISLATION

Adopted Prior to 2011 (2012 legislation being pursued to make more consistent with "Model Language" being proposed by Asurion)

Florida
Georgia
Maryland
Minnesota
New York
Texas
Washington

2011-12 Legislation Signed By Governor

Alabama (HB 113)
Arkansas (SB 938)
Arizona (SB 1251)
California (AB 690)
Colorado (HB 1071)
Delaware (HB 335)
Hawaii (SB 2655)
Idaho (HB 649)
Illinois (HB 1284)
Indiana (SB 148)
Kansas (SB 170)
Kentucky (HB 392)
Louisiana (SB 167)
Maine (SP 455 or LD 1464)
Mississippi (HB 894)
Missouri (HB 523)
Nebraska (LB 535)
Nevada (SB 292)
New Hampshire (SB 350)
New Jersey (AB 2594)
New Mexico (SB 393)
North Carolina (HB 617)
Ohio (HB 250)
Oklahoma (SB 801)
Oregon (SB 3411)
Pennsylvania (HB 2135)
Rhode Island (SB 2538)
South Carolina (HB 4787)
South Dakota (SB 115)
Tennessee (HB 1267)
Utah (HB 61)
Vermont (HB 730)
Virginia (HB 2480)
West Virginia (SB 472)
Wisconsin (SB 429)

+ - denotes bill that has passed Legislature but that Governor has not signed yet.